

# FISCAL NOTE

**Bill #:** HB0297

**Title:** Video lottery at pari-mutuel sites

**Primary**

**Sponsor:** Daniel Fuchs

**Status:** As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000 Difference</u></b>	<b><u>FY2001 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$1,092	\$42
State Special Revenue	4,108	158
<b>Revenue:</b>		
General Fund	\$14,090	\$14,090
State Special Revenue	61,000	57,500
<b>Net Impact on General Fund Balance:</b>	<b>\$12,998</b>	<b>\$14,048</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

## Fiscal Analysis

### ASSUMPTIONS:

1. No new racetracks will be developed as a result of passage of this bill.
2. The number of days a track operates will not change as a result of passage of this bill.
3. Each track operator will be able to purchase an on premise consumption, all-beverage license.
4. Each track operator will place the maximum number of machines in play.
5. The daily income generated from machines at each track will equal the average net daily income from the jurisdiction within which the track is located.

(continued)

6. The machine activity at licensed locations in each track jurisdiction will not be affected by play at the track.
7. In place of buying machines, each track will lease machines from a licensed machine route operator.
8. The route operators and track locations will split the net machine income 50/50.
9. The Department of Justice, Gambling Control Division would need one-time operating costs of \$5,000 for investigations and draft/publishing of rules in FY 2000. On going costs of \$200 each year would be needed for supplies and materials. These costs are split between the state special revenue fund and the general fund in a 79/21 split.
10. Estimated revenues are \$42,270 for video gambling machine tax (split 1/3 to the general fund and 2/3 to local governments); and \$115,000 for machine permit fees (split 50/50 between the state special revenue fund and local governments). In addition, the \$3,500 for investigations would be paid by the track operator applying for gambling license and is included as revenue in FY 2000 only for the state special revenue fund.

**Department of Commerce (DOC)**

11. HB297 earmarks an unknown amount of video gaming revenues to be used for horse owner's purses (awards and prizes). Increased horse racing purses may attract more race horses to the tracks which in turn would increase the number of contested race days and the tracks handle (amount wagered). There is no fiscal impact to the DOC.

**FISCAL IMPACT:**

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$5,200	\$200
<u>Funding:</u>		
General Fund (01)	1,092	42
State Special Revenue (02)	<u>4,108</u>	<u>158</u>
TOTAL	5,200	200
<u>Revenues:</u>		
General Fund (01)	14,090	14,090
State Special Revenue (02)	61,000	57,500
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	12,998	14,048
State Special Revenue (02)	56,892	57,342

**EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:**

Local government jurisdictions in which the tracks are located will benefit from the additional video gambling machine taxes and machine permit fees paid by track operators. Under current law, local government receives two-thirds (2/3) of the tax revenue and one-half (1/2) of the machine permit fee revenue. Upon passage and under the assumptions outlined above, local governments will receive an additional \$85,680 per year in video gambling machine revenue (\$28,180 in tax and \$57,500 in permit fee revenue). There will be no effect on local government expenditures as a result of passage.

LONG-RANGE IMPACTS:

The bill will help provide an additional \$62,265 per year in horse race purses in Montana.

TECHNICAL NOTES:

1. This note assumes that each of the seven tracks that operate for limited periods during the year will purchase on premises consumption liquor licenses, and will apply for and receive gambling licenses.
2. The note also assumes that each track will want to run the maximum number of machines for the time period they are operating. Based on information received from the Board of Racing, one of the tracks seasonal dates of operation extend into two fiscal years. As such, they would be required to pay permit fees for both years. The fee paid in the fourth quarter is \$50 per machine; and the fee paid in the first quarter of the succeeding fiscal year is \$200 per machine. The double fees are included in the calculation of additional revenue.
3. Under the assumptions included in this note one track, after deductions for permit fees and taxes, would experience a loss.